

OSA-4651-65
#1745

REPLY TO:
Audit Liaison Office
P. O. Box 8155
S. W. Station
Washington, D. C.

13 December 1965

SUBJECT: Report on Review of ECP 1987-8
Airborne Instrument Laboratory
Division of Cutler-Hammer, Inc.
Deer Park, New York

TO : Contracting Officer

1. Purpose of Review:

In accordance with the request of the Contracting Officer, a review was made of the subject contractor's Cost plus Fixed Fee proposal in the amount of \$185,347, which includes fee of \$12,911 to supply audio processors at the MPC and CPC and to supply three (3) remote processors, in accordance with the requirements of ECP #8.

2. Scope of Review:

The review consisted of an evaluation of the proposed labor, overhead and general and administrative expense rates, a verification of the material costs proposed, a comparison of the labor hours proposed to the requirements of the ECP and a determination as to the reasonableness of overtime premium and other direct charges proposed. The labor hours proposed as well as the bill of material submitted should be reviewed for applicability by technical personnel.

3. Comments:

a. Since the combined average labor rate proposed on this ECP (\$4.17) compares favorably with the overall average labor rate for effort expended on this program, the quoting rates utilized by the contractor are considered reasonable for this proposal only.

b. The overhead and general and administrative rates proposed are considered somewhat excessive when compared to the actual incurred rates for the year to date. However, since the reduction ensuing therefrom would have a minor impact on the fixed fee proposed no adjustment is recommended.

c. The Auditor reviewed the pricing of the proposed bill of materials, to purchase orders issued, to catalog prices quoted and to such other support as was made available. Approximately \$8,900 out of the \$50,275 material costs proposed were based upon engineering estimates. These items should be reviewed by technical personnel to determine their reasonableness.

4. Results of Review:

Subject to the comments contained in Paragraph 3 above, the contractor's costs of \$172,416 as submitted appear to be reasonable.

SIGNED

WILLIAM F. EDWARDS
Auditor General Representative (APL)